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South Carolina House of Representatives

# Legislative Update & Research Reports

Ramon Schwartz, Jr., Speaker of the House

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# Legislative Update

## Legislation Introduced

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### Families & Children

Marriage and Family Counselors (H.2516). Proposes additions to Chapter 75 of Title 40 to provide for supervision of marriage counselors and family therapists. This bill would create a Board of Examiners, to be composed of six professionals in the marital/family counseling field, and two lay persons; all six would be appointed by the Governor. The Board would license all marital counselors, associate counselors, and family therapists; the Board would also hear complaints and have the power to suspend or revoke licenses.

Special exemptions are made for those persons—such as the clergy—who are involved in counseling activities, but who don't claim to be "registered and licensed" by the Board.

### Finance

Exclusion from Property Tax (H.2520). The property tax on manufacturing and utility property is currently 10.5% of its fair market value. This bill would exclude from the 10.5% rate property used by a manufacturer in warehousing and wholesale distribution of dry goods.

Rental-Purchase Protection (H.2539). This extends consumer protection to those persons using the "rent to buy" option. Renters would have to receive such information as the total number of payments involved, the total amount, timing of payments, condition of property, how and when ownership is obtained, and so forth.

Motor Fuel Marketing Divorcement (H.2663). After July 1, 1985, refiners, producers and manufacturers will not be permitted to open and operate retail outlets for motor fuel. After July 1, 1986, they would not be allowed to operate outlets at all, except on a temporary basis while they are attempting to lease them.

Additionally, it would be unlawful to sell gasoline and other motor fuels below cost; cost being the total of refiner's price, transportation, taxes, and overhead expenses. The exception to this would be a good faith attempt to meet low prices set by a competitor.

*Legislative Update & Research Reports* will have further information on this subject in a future issue.

Health, Education & Public Safety

Bill of Rights for Residents of Long-Term Facilities (H.2521).

The purpose of this legislation is to provide residents of long-term care facilities the opportunity "to live within the least restrictive environment possible in order to retain their individuality and personal freedom."

Residents are entitled to the following: a description of their diagnosis, plan of treatment, and prognosis in terms easy to understand; management of their own personal finances (unless the facility has been delegated in writing to carry out this responsibility); to be free from mental and physical abuse and free from chemical and physical restraints except those ordered by a physician; security of personal possessions and confidential treatment of personal and medical records; respect, dignity and assured privacy during treatment and when receiving personal care; privacy in communications and association; and other basic rights.

Each long-term care facility must establish grievance procedures to be exercised by or on behalf of the resident to enforce the rights provided by this act.

Missing Persons Information Center (H.2524). This legislation proposes creating a Missing Persons Information Center, to be located in Columbia as part of SLED. The Center would work with the FBI/National Crime Information Center's computerized file on missing persons. Data would be shared with county and local law enforcement agencies to help them locate missing persons--especially missing children. The bill also creates a Missing Persons Task Force of five members appointed by the Governor. The Task Force is to make long-range plans on how to deal with the dilemma of missing persons; a report is to be submitted by July 1, 1986.

Pharmacy Board (H.2536). The Board of Pharmaceutical Examiners would be changed to the Pharmacy Board, which would have power to license pharmacies and issue permits for drug outlets and for "limited medical care institutions."

No Certificates for School Superintendents (H.2662). Presently, school superintendents must have a State Board of Education Superintendent Certificate. This bill would eliminate that requirement.

PSC and Utility Rates (H.2693). This bill would tie rate increases for utilities to the consumer price index. Specifically, the Public Service Commission would not be allowed to grant increases greater than the annual percentage increase in the consumer price index of the previous calendar year.

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Hours for Alcohol (H.2696). Alcohol could not be sold during the following times: For off-premise consumption, from 12 midnight Saturday until sunrise on Monday. For on-premise consumption, from 2 a.m. until 10 a.m. from Tuesday through Saturday; from 12 midnight Saturday night until 10 a.m. Monday morning--except those establishments operating under the Sunday alcohol provisions.

Judiciary, Law Enforcement, & Government Operations

Court Fines to Pay for Prisons (H.2537). Under the terms of this bill, part of every fine levied in S.C. criminal and traffic courts would go for debt service on prison construction bonds. The bill sets up a scale to determine how much would be set aside. For example, of fines from \$5.00 to \$14.00, \$2.00 would go to the bond fund; \$15.00 to \$49.00--\$4.00; \$50.00 to \$99.00--\$6.00; and so on.

Pool & Billiards (H.2665). This bill would repeal Chapter 11, Title 52 of the Code. That Chapter sets up the requirements pool hall and billiard parlors must meet to get a license from the S.C. Tax Commission.

Activities at present prohibited in billiard rooms by Chapter 11 include the following:

No person is allowed to play when the place is closed; no intoxicated person is permitted to play or loiter on the premises; no racing or other betting pools are allowed; "no loud, profane, obscene or indecent language shall be permitted in or on the premises. And the premises shall be kept in a clean and sanitary condition." (52-11-90)

No screens, curtains, blinds, petitions or other obstructions are allowed between the entrance of the room and the back or rear wall. "A clear view of the entire interior from the entrance to the rear of such room must be maintained at all times." (52-11-110)

Gubernatorial Succession (H.2682, H.2699). Section 3, Article IV of the State Constitution deals with the governor's term of office. Before 1982 the governor was limited to one, four-year, non-consecutive term. An amendment was approved by the voter's that allowed a governor to serve two consecutive terms in office. These two bills both propose amendments to change the succession back to a single term.

The first measure (H.2682) simply says a governor may not succeed himself; the second (H.2699) limits the governor to one term, but he or she would become eligible after one term out of office to run again.

Additionally there has been some talk about a single, six-year term for the governor, a notion former Governors McNair and West endorsed when the succession measure was debated in the past. For information on gubernatorial terms in other states, see page 5.

*Legislative Update, April 8, 1985*

No Forced Retirement for Age (H.2698). This legislation states that no person paid in whole or in part by the state can be forced to retire for reason of age alone. Exceptions are made for law enforcement and fire fighting personnel.

Killing Law Enforcement Officer (H.2700). For the crime of killing a law enforcement officer: no bail if charged, no parole if convicted.

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The Governorship: How Many Terms In Office?

Two bills have been introduced into the House to limit the Governor in S.C. to a single term. What limitations do other states place on the gubernatorial time in office? The following information comes from the latest edition of the *Book of the States*, published by the Council of State Governments.

No Limit on Terms

Arizona, Arkansas, California, Colorado, Connecticut, Idaho, Illinois, Iowa, Massachusetts, Michigan, Minnesota, Montana, New Hampshire, New York, North Dakota, Rhode Island, Texas, Utah, Vermont, Washington, Wisconsin, Wyoming

Maximum Two Consecutive Terms

Alabama, Alaska, Florida, Georgia, Hawaii, Indiana, Kansas, Louisiana, Maine, Maryland, Missouri, Nebraska, Nevada, New Jersey, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, West Virginia

Maximum Two Terms - Special Provisions

Governors in the following states are limited to two terms, not necessarily consecutive: Delaware, Missouri, and North Carolina.

Special Limitations on Terms

In the following states there is no limit on total number of terms, but successive terms are forbidden: Kentucky, Mississippi, and New Mexico.

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# State Lotteries

## Introduction

One method of raising revenue for government operations is to create a state-operated lottery. A number of states have already adopted the procedure; two bills have been introduced into the General Assembly to set up a South Carolina state lottery, with the proceeds going to fund indigent health care. (The bills are S.102 and H.2593.)

Few issues have aroused such interest and debate this session as the lottery. Financial, practical, moral and ethical points have been raised, and whether or not lottery legislation is actually considered by either chamber, the topic seems likely to remain lively.

## Background

South Carolina, like most other states, is faced with the continuing problem of finding funds for government operations and public services. Raising taxes is often the first solution proposed when more money is needed. However, this solution is usually less than popular with the people who must pay those higher taxes, so, some states are considering alternatives to increased taxes. A state lottery is one frequent suggestion. South Carolina is one state which is considering such a measure in order to increase state revenues.

As of November 1984, twenty-one states had instituted some type of lottery system. California, Oregon, Missouri, and West Virginia are the latest states to join those using lottery revenues to help pay for a variety of programs, such as: transportation in Arizona, education in New Hampshire, Michigan, and New Jersey, local aid in Massachusetts, and debt retirement and construction in Vermont.

## Guide to Lottery Terms

There are several different types of lottery games which are used frequently. The following is a summary of these games.

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This research report was written by Janet Abbazia,  
Legislative Intern with the House Research Office.

Instant Games - usually a \$1 ticket that informs a bettor upon purchase whether he has won a prize. A latex coating obscures a tic-tac-toe game, poker hand, or some other arrangement, which is revealed to the consumer when he scratches the latex from the ticket.

Lotto - A centuries-old Italian lottery in which gamblers select a group of numbers from a larger field, six from a field of 40, for example. A drawing is held to pick the winning numbers. If that combination has not been chosen by any player, the purse is added to the next game, and the jackpot builds.

Numbers Game - A bettor chooses a group of numbers that are then compared with a winning number drawn daily, biweekly, or weekly. Whereas in lotto you must match all the numbers, in this game you must match only one number.

On-line - Any of variety of games using a retail terminal directly connected to a central computer.

Parimutuel - Consumers holding the winning numbers share equally in the prize. The size of the prize is determined by the total amount of dollars wagered minus expenses and profit.

### History of the Lottery

Lotteries had been quite common in colonial times and in the 19th century until Congress and the states outlawed them after a series of scandals. The Louisiana lottery was particularly notorious, for it made those who owned it and those they bribed quite rich, but returned very little to the state.

The modern lottery was started in 1964 in New Hampshire. Players paid \$3 a chance and could not select their own numbers, a game which is considered primitive by today's standards. Drawings were held once a year and there was not much action. In the first year, sales came to \$5.7 million, but later declined as interest waned.

Massachusetts introduced the first "instant game" in the early 1970s. Winners were paid off instantly by the vendors instead of having to wait for a drawing. The "active game," in which players pick their own numbers, was first introduced in New Jersey. Computer technology enabled numbers to be picked and tickets printed instantly. "Pick-It," as the game was called, was designed to compete with the illegal numbers game. It has been very successful in itself, but there is little evidence to show that it has lessened the incidence of illegal games. The illegal numbers games do not take out for taxes, as do state-operated games.

The trend today is to offer three different products, usually a combination of the pick-its (usually 3, 4, or 6 numbers) and Lotto. As the odds of winning decrease the pay-offs increase, sometimes into the millions. The less the chances of winning the more people seem to want to play.

How Successful are the Lotteries?

- \* In Pennsylvania last October, annual sales passed the \$1 billion-a-year mark.
- \* In Illinois, it took seven years to sell the first billion dollars in tickets—and 23 months for the second billion.
- \* In Maryland, lottery ticket proceeds to the state are now the third biggest source of general fund revenue, equal to an additional 1 to 2 cents on the state's 5-cent sales tax.

Nationwide, state lottery machines in 1983 swallowed a gross of \$5 billion--25% over 1982. The machines last year netted 17 states and the District of Columbia almost \$2.1 billion after expenses--40% of gross sales. The New Jersey gross was up 34%; just under 43 cents of every dollar it takes in goes to education and other institutions. Without the lottery New Jersey's 6% sales tax might be at least a point higher. New York lottery director John D. Quinn took up the tag line "a million dollars a day" for the net sales which agents and computer terminals are generating for the state. According to Quinn, the lottery now covers more than 6 cents out of every dollar the state puts into education.

The public's interest in the huge jackpots and the attendant publicity help lotteries operate with surprisingly meager advertising budgets for such an impulse item. Many states spend less than 3% on advertising and have total overhead of less than 15%--including the 5% or 6% commissions paid to ticket agents. Officials in Illinois estimate they would have to raise the state income tax from 2 1/2% to 3% if the lottery were discontinued. In Michigan, lottery proceeds raise the equivalent of \$70 a person per year.

Although lotteries generally contributed less than 2 percent of total state revenues, *State Government News* reported in June, 1983, that most states with lotteries are happy with them.

It would seem that with numbers and profits such as those mentioned above, there is no limit to the amount of money a state could make with a lottery. This is, of course, untrue. Some states have not done nearly as well as they had projected they would. For example, Maine was advised it could expect \$10 million a year, but last year it received only \$3.7 million. Still, lotteries are seldom debated for their fiscal efficiency.

Moral Issues--Pros and Cons of Lotteries

The central debate over the lotteries seems to be the moral one of whether the state is condoning gambling by instituting a lottery? Is it urging people who can't afford to bet, to gamble anyway? There are many differing opinions over these issues.



Rev. Harvey Chinn, Director of the Coalition Against Legalizing Lotteries in Sacramento, California, made several points concerning these issues in an interview conducted by *U.S. News & World Report*. First, lotteries put the state in the business of selling a product where most of the customers must lose, since 99 percent of bettors are losers. Rev. Chinn also contends that gambling impoverishes a lot of people while enriching a few and turns a number of people into compulsive gamblers. Lotteries mean increased welfare costs and police costs. Gambling also depresses business by diverting money that would otherwise be spent on cars, furniture and other consumer durables.

Many opponents contend that lotteries victimize poor people. They cite figures showing that poor families spent three times as much per \$1,000 of income on tickets as did wealthy families. A Pennsylvania study showed that families with incomes under \$5,000 account for 3.2 % of state income, but 5.7% of lottery purchases. In Connecticut, they account for 1.3% of income and 5.3% of lottery purchases. Nationwide, in 1974 the poor bought lottery tickets at 2.8 times their income share.

Many religious groups oppose lotteries because they feel they are a thinly disguised form of gambling. "We would certainly oppose a lottery," said Wendell Jones of Montgomery, director of the church ministry division of the Alabama Baptist Executive Board. Jones said that a lottery would spread gambling rather than reduce existing undercover wagering "because the more outlets you have, the more people would participate."

On the other side of the coin, those that support lotteries have an equal number of statistics and surveys which support their opinion.

A poll of 1,000 registered voters in Florida conducted by the *St. Petersburg Times*, *The Orlando Sentinel*, and *The Fort Lauderdale News and Sun-Sentinel* showed that those with incomes below \$15,000 were least likely to support a lottery. Joseph McNamara, police chief of San Jose, California, contends that the lotteries are a clean and effective way to raise money for good causes. He feels that there is nothing morally wrong with gambling as long as it is controlled and kept honest. Even those who oppose lotteries will admit that organized crime has yet to infiltrate the games. In fact, one of the biggest opponents of lotteries is the mob because they feel the lottery cuts in on their illegal gambling activities.

#### Who Plays Lotteries?

The Washington Lottery Commission reports that the most active players are men and women between the ages of 50 and 64 who earn from \$35,000 to \$50,000 a year. When jackpots begin to build in Massachusetts' lotto game, ticket sales rise in Boston's

establishment-oriented financial district. David Ellis, a lottery spokesman for Massachusetts says, "Its an upscale game." A survey conducted of the lottery in New Jersey showed that 40% of the players had attended college. A poll in Florida found the following to be true: Men like the lottery idea more than women do--67% compared with 57% respectively.

Statistical profiles of lottery players show that the poor and the rich play lotteries in numbers smaller than their share of the population. In Colorado, a typical example of a lottery state, the average player, as determined from winner's claim forms, is a middle-aged man who makes \$30,000 a year and has at least a high school education.

In Maine, much of the support for that state's 1974 lottery came from blue-collar, papermill workers. They found that rising gasoline prices caused by the Arab oil embargo made long drives to racetracks too expensive, according to Richard J. Carey, a former state legislator and now director of the Maine lottery.

### Where Does the Money Go?

Beyond these issues surrounding adoption of a lottery lies the question of what to do with the revenue. Should it be earmarked for specific purposes or simply added to the general fund?

Six states--Connecticut, Delaware, Illinois, Maine, Rhode Island, and Washington--plus the District of Columbia--use lottery receipts for the general fund. Nine commit them to specific uses, and two others divide receipts between a specific use and the general fund. For example, Arizona allocates a yearly, significant share of the profits to the Local Transportation Assistance Fund and puts the remainder in the general fund.

New Hampshire dedicates lottery receipts to education; Massachusetts to the arts and local government aid; and Colorado, to capital construction (50%), a conservation and trust fund (40%), and parks and recreation (10%).

The states have taken different approaches in allocating the lottery dollar among the categories of prizes, administration, and advertising. Some require a percentage to be returned in prizes or to be kept by the state, and costs such as administration and advertising are generally a fixed percentage also. New Jersey's distribution is typical. About 50% of its gross goes out in prizes; some 6% goes to agents and computer system contractors; and about 1.4% is earmarked for overhead and promotion; the rest goes back to the state to aid in its programs.

### Lottery Vendors Hit it Big

Although the odds of winning a million dollars are pretty slim, there is one sure way to make a lot of money from the lottery--sell tickets. Retailers generally receive a 5-6% commission. One

newsstand at the World Trade Center in New York City averages \$1,000 a day in commissions. In Illinois, the state offers a bonus of 1% of the prize to agents who sell winning tickets worth \$1,000 or more. For Donald Pollak, proprietor of Blatt Drugs in Chicago, where Mike Wittkowski's winning \$40 million ticket was purchased, the bonus meant \$400,000 paid in a lump sum.

### Lottery Legislation

Legislative control of lottery agencies varies with some agencies being rather independent and governed by a commission and others submerged in state revenue agencies. Connecticut's, for example, is a state agency subject to state control, unlike its counterpart in Washington state where the lottery is an independent agency. Director Robert A. Boyd, in *State Legislatures*, describes Washington's lottery as self-sufficient, "a state-owned business" with executive and legislative oversight.

"My advice," says Connecticut's lottery Unit Chief, J. Blaine Lewis, "is to make it as independent as possible, as much like a business as possible." This sentiment is echoed by Jim Culver, former marketing director for Michigan's lottery and now a marketing consultant. Culver feels the key to a successful lottery is the enabling legislation. Legislation that gives the lottery relatively broad powers to operate as a business, and still be accountable, is generally more successful than more restrictive legislation regulating every single aspect.

### Conclusion

With lotteries riding high, it appears that more states will come under pressure to adopt them, particularly as residents of one state see the experiences of their neighbors. For example, West Virginia is surrounded by Ohio, Maryland, and Pennsylvania, all of which are lottery states. Many residents were playing the lottery in these states until West Virginia finally adopted a lottery last November.

Despite the apparent success of the lotteries in raising much needed funds, legislators will have to weigh the moral issues surrounding this issue before coming to a final decision. Certainly in South Carolina, a state rich in religious tradition, this will be a determining factor.

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